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SUBJECT Mulcahy/British Spy Case

DAN RATHER: Kevin Mulcahy, a former CIA analyst who was to have been a witness against alleged CIA renegade Edwin Wilson, was found dead today in Virginia. He was the second potential witness against Wilson to die this year.

More on this story from Robert Shackne.

ROBERT SHACKNE: Justice Department officials say 39 year old Kevin Mulcahy appears to have died of natural causes, and possibly the effects of alcohol. First reports from police who found his body in a Shenendoah mountain cabin say there are no signs of foul play, no signs of injury.

But the FBI, agents of the Bureau of Alcohol, Tobacco and Firearms, and federal prosecutors are conducting an investigation, because Mulcahy had been a major witness in the case against former CIA officer Edwin Wilson, who's charged with aiding Libyan terrorists.

Mulcahy's father said he last saw his son two weeks ago, that his son seemed depressed. He said his son had been staying with friends in the mountains and that he was told authorities do not yet know the cause of his death. An autopsy is scheduled for tomorrow.

Mulcahy is a former CIA employee who later went to work for Wilson. And he went to authorities six years ago to charge Wilson with illegal Libyan activities. Mulcahy claimed that senior CIA officials initially ignored his charges and that two of them, who've since retired, were involved with Wilson's illegal Libyan activities.

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Wilson is scheduled to face the first of three trials on the Libyan charges next month.

Robert Shackne, CBS News, Washington.

RATHER: Mulcahy had been a paid consultant for CBS News for reports on this broadcast about Wilson's dealings with the Libyan government.

U. S. officials are expressing concern now that a new British spy scandal may be the most serious security breach since World War II. This summer, a former linguist at Britain's secret electronic espionage center was arrested on charges he spied for the Soviet Union. Now as Doug Tunnell reports, there are indications he may not have been the only leak.

DOUG TUNNELL: Jeffrey Arthur Prime is charged with passing secrets to the Russians from 1968 through 1981. But the 44 year old Russian language specialist left his job at the top secret government communications headquarters in September, 1977. In other words, Prime is charged with spying for four years after he had lost all official access to GCHQ's sensitive material. The reasons why are still official secrets in Britain, but the fear is that Prime may not have acted alone, that he may have acted as a conduit for another spy or spies inside the agency's Cheltenham's base.

At least one former employee has already raised the specter of a second man in the Prime affair.

JOCK KRAFT: I'm quite convinced he weren't the only spy in these years. I'm quite convinced there are still a number of spies in GCHQ. They've penetrated GCHQ at a high level and in large numbers.

TUNNELL: British security men are known to have shown special interest in the mysterious death of one of Prime's colleagues at GCHQ, 56 year old Jack Wolfenden. On July 15th, the day Prime was officially charged with espionage, Wolfenden was on GCHQ business in Southeast Asia. He returned to England two days later, sun-tanned, but friends said showing unusual signs of strain. On July 25th, just a few weeks after Prime was arrested, Wolfenden died behind the controls of a light airplane.

It was a clear and sunny Sunday afternoon when eyewitnesses watched Jack Wolfenden's aircraft fly a straight and stable course directly into this hillside outside Cheltenham. Wolfenden was by no means an inexperienced pilot. He had over 300 flying hours on his record.

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An investigation by Britain's Department of Trade revealed no pre-impact defect in the engine or air frame. There was no evidence of fuel starvation. Government medical examiners found nothing to indicate that Wolfenden's physical condition was a factor in the crash. An official inquest, at which GCHQ security men were present, ruled Wolfenden had died an accidental death. But others involved with the inquest, including a lawyer representing Jeffrey Prime's wife, Rona, were convinced that Wolfenden had committed suicide.

The Wolfenden case is now officially closed. As for Jeffrey Arthur Prime, there were no questions relating to his case in Britain's Parliament today, no new answers, no statements of any kind.

Doug Tunnell, CBS News, Cheltenham.